

Maureen Coneys

Boston, MA

April 12, 2006

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UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

NO. 01CV12257-PBS

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IN RE: PHARMACEUTICAL INDUSTRY AVERAGE)
WHOLESALE PRICE LITIGATION)

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THIS DOCUMENT RELATES TO:)
ALL ACTIONS)

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VIDEOTAPED DEPOSITION of MAUREEN CONEYS, called as a
witness by and on behalf of the Defendant, pursuant to
the Federal Rules of Civil Procedure, before Teresa E.
Costello, Registered Professional Reporter, Certified
Shorthand Reporter No. 1452S98, and Notary Public
within and for the Commonwealth of Massachusetts, at
the offices of Robins, Kaplan, Miller & Ciresi, 800
Boylston Street, Boston, Massachusetts, on Wednesday,
April 12, 2006, commencing at 9:38 a.m.

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<p>1 APPEARANCES:</p> <p>2 ROBINS, KAPLAN, MILLER & CIRESI LLP</p> <p>3 (by Stephen L. Coco, Esq.)</p> <p>4 800 Boylston Street, 25th Floor</p> <p>5 Boston, Massachusetts 02199-7610</p> <p>6 slcoco@rmkc.com</p> <p>7 For Plaintiff, Blue Cross Blue Shield</p> <p>8</p> <p>9 BLUE CROSS BLUE SHIELD OF MASSACHUSETTS</p> <p>10 (by Steven E. Skwara, Esq.)</p> <p>11 Landmark Center</p> <p>12 401 Park Drive</p> <p>13 Boston, Massachusetts 02215-3326</p> <p>14 For Plaintiff, Blue Cross Blue Shield</p> <p>15 of Massachusetts</p> <p>16</p> <p>17 PATTERSON BELKNAP WEBB & TYLER LLP</p> <p>18 (by Adeel A. Mangi, Esq.)</p> <p>19 1133 Avenue of the Americas</p> <p>20 New York, N.Y. 10036-6710</p> <p>21 aamangi@pbwt.com</p> <p>22 For Defendants, Johnson & Johnson</p>	<p>1 INDEX</p> <p>2 DEPONENT PAGE</p> <p>3 MAUREEN CONEYS</p> <p>4 Examination by Mr. Mangi..... 006</p> <p>5</p> <p>6</p> <p>7 EXHIBITS</p> <p>8 NUMBER DESCRIPTION PAGE</p> <p>9 Exhibit Coneys 001, Overview of Specialty</p> <p>10 Pharmacy..... 122</p> <p>11 Exhibit Coneys 002, Boston Globe Article</p> <p>12 dated 6/29/00..... 150</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>
3	5
<p>1 APPEARANCES: (CONTINUED)</p> <p>2</p> <p>3 SHOOK, HARDY & BACON LLP</p> <p>4 (by Nicholas P. Mizell, Esq.)</p> <p>5 2555 Grand Boulevard</p> <p>6 Kansas City, Missouri 64108-2613</p> <p>7 nmizell@shb.com</p> <p>8 For Defendant, Aventis Pharmaceuticals</p> <p>9</p> <p>10 ALSO PRESENT:</p> <p>11</p> <p>12 Sean Budd, Legal videographer</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>	<p>1 PROCEEDINGS</p> <p>2 VIDEOGRAPHER: Okay, we are on the record.</p> <p>3 This is the video operator speaking, Sean Budd, of</p> <p>4 G&M Court Reporting, Boston, Massachusetts. Today's</p> <p>5 date is April 12th, 2006 and the time is 9:38. We</p> <p>6 are here at the offices of Robins, Kaplan, Miller</p> <p>7 and Ciresi located in Boston, Massachusetts to take</p> <p>8 the videotaped deposition of Maureen Coneys in the</p> <p>9 matter of Pharmaceutical Industry Average Wholesale</p> <p>10 Price Litigation. Would counsel please introduce</p> <p>11 themselves?</p> <p>12 MR. MANGI: Adeel Mangi, Patterson,</p> <p>13 Belknap, Webb & Tyler, for Johnson and Johnson on</p> <p>14 behalf of the defendants.</p> <p>15 MR. MIZELL: Nicholas Mizell of Shook,</p> <p>16 Hardy & Bacon for Aventis Pharmaceuticals.</p> <p>17 MR. SKWARA: Steve Skwara, for Blue Cross</p> <p>18 Blue Shield of Massachusetts.</p> <p>19 MR. COCO: Stephen Coco from Robins,</p> <p>20 Kaplan, Miller, Ciresi for Blue Cross and Blue</p> <p>21 Shield of Massachusetts.</p> <p>22</p>

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<p style="text-align: right;">6</p> <p>1 MAUREEN CONEYS, 2 having been satisfactorily identified by the 3 production of her driver's license, and duly sworn 4 by the Notary Public, was examined and testified as 5 follows to direct interrogatories: 6 7 BY MR. MANGI: 8 Q. Good morning, Miss Coneys. My name is 9 Adeel Mangi as I just mentioned. I'll be asking you 10 a few questions this morning. Have you ever been 11 deposed before? 12 A. Yes, I have. 13 Q. How many times have you been deposed 14 before? 15 A. Probably twice. 16 Q. Do you recall when those depositions were? 17 A. One was back in probably the early '80's, 18 and another one was also probably in the '80's. 19 Q. What was the case in the early '80's 20 about? 21 A. I don't remember. 22 Q. How about the one later in the '80's?</p>	<p style="text-align: right;">8</p> <p>1 all questions audibly so the reporter can take them 2 down, okay? 3 A. Okay. 4 Q. And I'd also ask you to wait until I 5 finish a question before giving an answer so the 6 record is clear, all right? 7 A. Yes. 8 Q. And if, at any time, you'd like to take a 9 break, just let me know and we'll do that, okay? 10 A. Okay. 11 Q. Now are you currently employed by Blue 12 Cross Blue Shield of Massachusetts? 13 A. Yes, I am. 14 Q. What is your title at present? 15 A. Senior vice president for healthcare 16 quality and cost. 17 Q. How long have you held that position? 18 A. Since 2001. 19 Q. Have you held that position continuously 20 from 2001 to the present? 21 A. Yes. 22 Q. I'd like to turn a bit further back in</p>
<p style="text-align: right;">7</p> <p>1 A. It was related to a malpractice case 2 involving the Blue Cross health center. 3 Q. Do you recall where you were employed at 4 the time of the first case in the early '80's? 5 A. I was employed by Bay State Health Care. 6 Q. Did the case relate to your employment at 7 Bay State Health Care, the case in the early '80's? 8 A. I don't remember. 9 Q. Do you know whether or not it was a case 10 that you were involved in personally, or was it a 11 case that had something to do with your job? 12 A. It had something to do with my job. 13 Q. The second case later in the '80's, was it 14 an allegation of malpractice against a physician 15 employed by Bay State? 16 A. A physician employed by Blue Cross. 17 Q. And how did you come to be involved in 18 that case? 19 A. I was the executive director for the 20 health center where the physician practiced. 21 Q. It's been a while since your last 22 deposition, so I'll just remind you to please answer</p>	<p style="text-align: right;">9</p> <p>1 time and ask you about your educational background. 2 Can you describe for me, please, any qualifications 3 you obtained after high school? 4 A. I have a diploma in nursing. 5 Q. When did you receive that qualification? 6 A. 1975. 7 Q. Did you receive that diploma directly 8 after completely high school, or did you work for a 9 while? 10 A. Directly after completing high school. 11 Q. After completing your diploma in nursing 12 have you taken any further courses as part of a 13 formal educational degree? 14 A. No. 15 Q. After completing your diploma what did you 16 do next? 17 A. I worked at South Shore Hospital. 18 Q. What capacity did you work at South Shore 19 Hospital? 20 A. I was a staff nurse. 21 Q. Did you have any particular area of 22 specialty?</p>

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<p style="text-align: right;">10</p> <p>1 A. No.</p> <p>2 Q. Did you work with any particular types of</p> <p>3 patients?</p> <p>4 A. General medical surgical patients.</p> <p>5 Q. How long were you a staff nurse at the</p> <p>6 South Shore Hospital?</p> <p>7 A. Two years.</p> <p>8 Q. From about 1975 to 1977?</p> <p>9 A. Yes.</p> <p>10 Q. What did you do after that?</p> <p>11 A. I worked for Blue Cross Blue Shield of</p> <p>12 Massachusetts.</p> <p>13 Q. So you joined Blue Cross Blue Shield of</p> <p>14 Massachusetts in 1977?</p> <p>15 A. Yes.</p> <p>16 Q. Have you been continuously employed by</p> <p>17 that organization from 1977 up to the present time?</p> <p>18 A. No.</p> <p>19 Q. In what capacity did you join Blue Cross</p> <p>20 Blue Shield in 1977?</p> <p>21 A. I was a utilization review nurse.</p> <p>22 Q. How long did you stay in that position?</p>	<p style="text-align: right;">12</p> <p>1 Q. What were the factors that led to a</p> <p>2 determination as to whether or not a claim was</p> <p>3 appropriate for a payment?</p> <p>4 A. There were guidelines that were</p> <p>5 established by peer review committees that were</p> <p>6 comprised of physicians, and I basically followed</p> <p>7 the guidelines that had been established by the</p> <p>8 physicians.</p> <p>9 Q. Did the guidelines address whether or not</p> <p>10 the treatment that was provided was clinically</p> <p>11 appropriate?</p> <p>12 A. Yes.</p> <p>13 Q. What other issues were the guidelines</p> <p>14 addressing?</p> <p>15 A. They dealt with things like frequency at</p> <p>16 which certain, you know, how frequently an office</p> <p>17 visit should be done for certain conditions and</p> <p>18 things like that.</p> <p>19 Q. Did the guidelines address at all the use</p> <p>20 of drugs?</p> <p>21 A. No, not that I recall.</p> <p>22 Q. So to your recollection -- withdraw that.</p>
<p style="text-align: right;">11</p> <p>1 A. Two years.</p> <p>2 Q. What did you do after that?</p> <p>3 A. I went to work for Bay State Health Care.</p> <p>4 Q. In 1979 was there any relationship between</p> <p>5 Bay State Health Care and Blue Cross Blue Shield of</p> <p>6 Massachusetts?</p> <p>7 A. No.</p> <p>8 Q. In what position did you go to Bay State</p> <p>9 Health Care?</p> <p>10 A. The manager for utilization review</p> <p>11 programs.</p> <p>12 Q. How long did you remain in that position?</p> <p>13 A. I remained with Bay State until 1987, but</p> <p>14 in that position for probably about two years.</p> <p>15 Q. For the period 1977 to 1979 when you were</p> <p>16 a utilization review nurse for Blue Cross Blue</p> <p>17 Shield of Massachusetts, what were your job</p> <p>18 responsibilities?</p> <p>19 A. I reviewed claims submitted by physicians</p> <p>20 against guidelines, utilization review guidelines</p> <p>21 and made decisions whether those claims were</p> <p>22 appropriate for payment or not.</p>	<p style="text-align: right;">13</p> <p>1 Let me ask the question a bit more specifically.</p> <p>2 When I refer to drugs, that will encompass both</p> <p>3 prescriptions for drugs that a patient would fill at</p> <p>4 a pharmacy as well as drugs administered by a</p> <p>5 physician to a patient in his office.</p> <p>6 Do you recall whether the guidelines</p> <p>7 addressed the usage of prescribing of either kind of</p> <p>8 drug?</p> <p>9 A. I don't recall either kind being</p> <p>10 addressed.</p> <p>11 Q. At that time in 1977 do you know what</p> <p>12 methodologies Blue Cross Blue Shield of</p> <p>13 Massachusetts was using to reimburse physicians for</p> <p>14 services that they provided in their offices?</p> <p>15 A. There was a fee schedule.</p> <p>16 Q. Anything else?</p> <p>17 A. That's all I remember.</p> <p>18 Q. In 1977 do you know what methodology Blue</p> <p>19 Cross Blue Shield of Massachusetts was using to</p> <p>20 reimburse physicians for drugs that they</p> <p>21 administered to patients in their offices?</p> <p>22 A. I do not know.</p>

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<p style="text-align: right;">14</p> <p>1 Q. The fee schedule that was used to</p> <p>2 reimburse physicians for their services, do you know</p> <p>3 how the amounts in that fee schedule were calculated</p> <p>4 in this time period?</p> <p>5 A. I do not.</p> <p>6 Q. What were the circumstances in which you</p> <p>7 left Blue Cross Blue Shield of Massachusetts in 1979</p> <p>8 to go to Bay State?</p> <p>9 A. An opportunity to do something different.</p> <p>10 Q. That was to be the manager of utilization</p> <p>11 review programs?</p> <p>12 A. Yes.</p> <p>13 Q. Was this a more senior position as</p> <p>14 compared to your position at BCBS?</p> <p>15 A. Yes.</p> <p>16 Q. What were your responsibilities in that</p> <p>17 position at Bay State?</p> <p>18 A. At Bay State at the time was a start-up</p> <p>19 HMO, and I was hired to begin to develop programs,</p> <p>20 utilization review programs for the HMO.</p> <p>21 Q. I'm sorry, did you say was a staff --</p> <p>22 A. A start-up.</p>	<p style="text-align: right;">16</p> <p>1 other kinds of outpatient services, physical</p> <p>2 therapy.</p> <p>3 Q. Anything else? I'll just remind you that</p> <p>4 you need to answer audibly so the reporter can take</p> <p>5 it down. The answer to your last question was no?</p> <p>6 A. No.</p> <p>7 Q. Now the various aspects of utilization</p> <p>8 review that you've just described that you worked on</p> <p>9 while at Bay State from 1979 to 1981, did any of</p> <p>10 these involve assessment of the cost of drugs?</p> <p>11 A. No.</p> <p>12 Q. And by drugs, again, I'm referring to both</p> <p>13 self-administered and physician-administered drugs?</p> <p>14 A. No.</p> <p>15 Q. In 1981 did your position change?</p> <p>16 A. Yes.</p> <p>17 Q. What did your position become in 1981?</p> <p>18 A. It became the director of operations.</p> <p>19 Q. Sticking with the '79 to '81 time period</p> <p>20 for a moment, did any aspect of your work in</p> <p>21 utilization review involve consideration of the</p> <p>22 relative costs of treatment in hospitals versus</p>
<p style="text-align: right;">15</p> <p>1 Q. A start-up. Were the utilization review</p> <p>2 programs you were tasked with at Bay State similar</p> <p>3 in structure to the programs you described earlier</p> <p>4 at BCBS?</p> <p>5 A. Not really.</p> <p>6 Q. Can you describe what the utilization</p> <p>7 review programs that you worked on at Bay State</p> <p>8 consisted of?</p> <p>9 A. The programs at Bay State were related to</p> <p>10 reviewing patients who were being admitted to the</p> <p>11 hospital for appropriateness of admission and then</p> <p>12 also reviewing referrals from primary care</p> <p>13 physicians to specialists to determine</p> <p>14 appropriateness of those referrals as well.</p> <p>15 Q. Did you deal with any aspects of</p> <p>16 utilization review other than reviewing the</p> <p>17 appropriateness of admissions to hospitals and</p> <p>18 referrals to specialists?</p> <p>19 A. I also dealt with emergency room</p> <p>20 utilization.</p> <p>21 Q. Anything else?</p> <p>22 A. Behavioral health utilization and various</p>	<p style="text-align: right;">17</p> <p>1 physicians' offices?</p> <p>2 A. Yes.</p> <p>3 Q. In what situations or circumstances did</p> <p>4 that issue come up?</p> <p>5 A. In determining the appropriateness for</p> <p>6 admission to the hospital.</p> <p>7 Q. In that time period, 1979 to 1981, did Bay</p> <p>8 State Health Care have an understanding as to</p> <p>9 whether treatment in the hospital was more or less</p> <p>10 expensive to Bay State than treatment in a</p> <p>11 physician's office?</p> <p>12 MR. COCO: Objection. You may answer.</p> <p>13 A. The understanding was that treatment in a</p> <p>14 hospital was more expensive.</p> <p>15 Q. Are you aware of any studies or analyses</p> <p>16 that were performed by Bay State that grounded that</p> <p>17 conclusion?</p> <p>18 A. Yes.</p> <p>19 Q. Can you describe, please, the studies that</p> <p>20 you're aware of regarding that issue?</p> <p>21 A. We would look at the cost of treating</p> <p>22 certain conditions in a hospital setting versus</p>

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<p style="text-align: right;">18</p> <p>1 treating those in an outpatient setting like a 2 hospital outpatient department or a physician's 3 office. 4 Q. Did you ever consider the relative cost of 5 treatment in hospital outpatient departments versus 6 physician offices? 7 A. Yes. 8 Q. Can you describe for me, please, the 9 studies you're aware of comparing the cost for 10 treatment and those two sites of care? 11 A. I don't remember any specific studies that 12 we did. 13 Q. Do you recall whether or not your 14 department analyzed and looked at the relative costs 15 of treatment in those two sites of care? 16 A. Yes. 17 Q. Do you recall what the conclusions were of 18 that analysis? 19 A. Not specifically. 20 Q. Do you know whether or not Bay State, in 21 that time period, '79 to '81, regarded the physician 22 office as a more cost-effective site of care versus</p>	<p style="text-align: right;">20</p> <p>1 responsibility to notify Bay State of that admission 2 prior to admitting the patient and then Bay State 3 would review the admission against guidelines to 4 make a decision whether the patient's condition 5 warranted admission to the hospital. 6 Q. Was it a feature of Bay State's plans that 7 Bay State had to approve an admission before it took 8 place? 9 A. Yes. 10 Q. How did Bay State, if at all, use 11 utilization review programs to incentivize the 12 physician office site of care versus treatment in a 13 hospital outpatient department? 14 A. I'm sorry. I don't understand that 15 question. 16 Q. Sure. You mentioned earlier that 17 utilization review programs was one means used to 18 ensure treatment where appropriate was in the 19 physician office versus a more expensive hospital 20 setting, right? 21 MR. COCO: Objection. 22 A. Right.</p>
<p style="text-align: right;">19</p> <p>1 a hospital outpatient department? 2 MR. COCO: Objection. 3 A. Yes. 4 Q. Just so the record is clear, did Bay State 5 view the physician office as more cost-effective 6 than a hospital outpatient department? 7 MR. COCO: Objection. 8 A. Yes. 9 Q. Do you recall what -- withdraw that. What 10 steps did Bay State take, if any, based on those 11 findings? 12 A. Bay State tried to encourage physicians to 13 use the least invasive appropriate setting for care. 14 Q. How did Bay State go about encouraging 15 physicians to use the least invasive appropriate 16 setting for care? 17 A. Both from education as well as through 18 utilization review programs. 19 Q. Can you describe how utilization review 20 programs were used toward that end? 21 A. When a physician was planning to admit a 22 patient to the hospital, he or she had the</p>	<p style="text-align: right;">21</p> <p>1 Q. You described the prior authorization 2 requirement for hospital admissions as one means 3 that was used to ensure treatment in the physician 4 office setting, right? 5 MR. COCO: Objection. 6 Q. My question is leaving aside actual 7 hospital admissions and focusing now on the hospital 8 outpatient department, how, if at all, did Bay State 9 use utilization review programs to incentivize 10 treatment in physician offices versus hospital 11 outpatient departments leaving aside for a moment 12 hospital inpatient treatment? 13 A. There were certain outpatient procedures 14 that also required the plan's approval prior to 15 using the hospital outpatient setting. 16 Q. Do you recall any examples? 17 A. Surgical day care. 18 Q. Anything else? 19 A. No. 20 Q. Do you recall whether any of the analysis 21 in comparing the costs of one side of care versus 22 another included comparisons of the relative costs</p>

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<p style="text-align: right;">22</p> <p>1 of drug administration in one setting versus</p> <p>2 another?</p> <p>3 A. No.</p> <p>4 Q. In 1981 you became director of operations</p> <p>5 for Bay State. How long did you hold that position?</p> <p>6 A. Probably a couple of years.</p> <p>7 Q. What were your responsibilities as</p> <p>8 director of operations?</p> <p>9 A. I was responsible for the claims</p> <p>10 processing area, the member services area, the</p> <p>11 utilization review area and I believe that's it.</p> <p>12 Q. Now we've been talking about utilization</p> <p>13 review. Did your responsibilities in relation to</p> <p>14 utilization review change in any way other than this</p> <p>15 being a more senior position?</p> <p>16 A. No.</p> <p>17 Q. Were the types of utilization review that</p> <p>18 were being carried out the same as the types of</p> <p>19 utilization review we've discussed already?</p> <p>20 A. Yes.</p> <p>21 Q. Did it remain -- withdraw that. Did one</p> <p>22 aspect of the utilization review process at Bay</p>	<p style="text-align: right;">24</p> <p>1 writing or by the phone?</p> <p>2 A. That's correct.</p> <p>3 Q. What sort of concerns did members voice</p> <p>4 through these avenues?</p> <p>5 A. The calls generally related to questions</p> <p>6 about their benefits or questions about the referral</p> <p>7 process from the primary care physician to a</p> <p>8 specialist or a claim status.</p> <p>9 Q. Did physicians ever utilize this phone</p> <p>10 service to address any questions that they may have</p> <p>11 had?</p> <p>12 A. No.</p> <p>13 Q. Was there a separate part of the company</p> <p>14 that dealt with physicians?</p> <p>15 A. Yes.</p> <p>16 Q. What was that department called?</p> <p>17 A. Provider relations.</p> <p>18 Q. In the time period that we've been</p> <p>19 discussing, late '70's or early '80's, did Bay State</p> <p>20 Health Care have a staff model HMO?</p> <p>21 A. No.</p> <p>22 Q. Are you familiar with the term, staff</p>
<p style="text-align: right;">23</p> <p>1 State remain ensuring treatment in the lowest cost</p> <p>2 side of care where clinically appropriate?</p> <p>3 A. Yes.</p> <p>4 Q. That was the physician office versus a</p> <p>5 hospital setting?</p> <p>6 A. Yes.</p> <p>7 Q. Now you also mentioned member services as</p> <p>8 another area of your responsibility as director of</p> <p>9 operations. What did that area involve?</p> <p>10 A. That area was the area in the company that</p> <p>11 would take incoming calls from members who had</p> <p>12 questions or concerns about the plan.</p> <p>13 Q. Was there a hotline or a dedicated phone</p> <p>14 service that members could call when they had</p> <p>15 questions?</p> <p>16 A. Yes, there was a dedicated phone service.</p> <p>17 Q. Were there any avenues members could use</p> <p>18 to contact member services other than the phone</p> <p>19 line?</p> <p>20 A. In writing.</p> <p>21 Q. So you were responsible for the department</p> <p>22 that responded to all those queries whether it be in</p>	<p style="text-align: right;">25</p> <p>1 model HMO?</p> <p>2 A. Yes.</p> <p>3 Q. What is your understanding of the meaning</p> <p>4 of that term?</p> <p>5 A. It's a group of physicians that practice</p> <p>6 together and offer an HMO insurance plan to</p> <p>7 consumers.</p> <p>8 Q. And in this context do you understand it</p> <p>9 would refer to a group of physicians employed by Bay</p> <p>10 State Health Care?</p> <p>11 A. Yes.</p> <p>12 Q. Did Bay State Health Care employ</p> <p>13 physicians or own hospitals, physician clinics at</p> <p>14 any point during your employment there?</p> <p>15 A. No.</p> <p>16 Q. So is it your understanding that Bay State</p> <p>17 Health Care did not have a staff model HMO</p> <p>18 throughout the period you were employed there?</p> <p>19 A. That's correct.</p> <p>20 Q. The third area of responsibility that you</p> <p>21 mentioned as director of operations was the claims</p> <p>22 processing area. What were your responsibilities as</p>

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<p style="text-align: right;">26</p> <p>1 regards claims processing?</p> <p>2 A. To ensure that the claims that were</p> <p>3 submitted by providers were coded appropriately and</p> <p>4 entered into the payment system and then paid</p> <p>5 according to the payment guidelines.</p> <p>6 Q. What do you mean when you say coded</p> <p>7 properly?</p> <p>8 A. The claims would come in, and they would</p> <p>9 just have often times a description of the service</p> <p>10 that was rendered, and we had staff that would need</p> <p>11 to use standardized coding books at that time to</p> <p>12 assign a procedure code or diagnosis code to the</p> <p>13 claim.</p> <p>14 Q. Now we're talking about the early '80's</p> <p>15 here, so this was presumably done without the use of</p> <p>16 computers?</p> <p>17 A. Right.</p> <p>18 Q. What was the general methodology that Bay</p> <p>19 State used this time to reimburse physicians for</p> <p>20 services they provided in their offices?</p> <p>21 A. It was a fee schedule.</p> <p>22 Q. How about for drugs that they administered</p>	<p style="text-align: right;">28</p> <p>1 Q. Was that paper claim form provided to</p> <p>2 physicians by Bay State?</p> <p>3 A. Yes, it was.</p> <p>4 Q. Was it a form unique to Bay State?</p> <p>5 A. Yes, it was.</p> <p>6 Q. What information was sought on that claim</p> <p>7 form?</p> <p>8 A. Patient identifying information, their</p> <p>9 name, date of birth, subscriber number, information</p> <p>10 like that, their diagnosis and the specific services</p> <p>11 rendered and the presence of any other insurance,</p> <p>12 questions like that.</p> <p>13 Q. Were physicians asked to provide a code</p> <p>14 describing the services on the form?</p> <p>15 A. They were.</p> <p>16 Q. Did physicians routinely provide a code as</p> <p>17 requested?</p> <p>18 A. Not always.</p> <p>19 Q. What portion of cases was a code provided?</p> <p>20 A. I don't remember.</p> <p>21 Q. Would it be the majority of cases or</p> <p>22 minority of cases?</p>
<p style="text-align: right;">27</p> <p>1 to patients in their offices?</p> <p>2 A. A fee schedule.</p> <p>3 Q. Do you know how those fee schedules were</p> <p>4 calculated?</p> <p>5 A. I do not.</p> <p>6 Q. How did you receive fee schedules at that</p> <p>7 time?</p> <p>8 A. They were maintained within the claims</p> <p>9 processing system.</p> <p>10 Q. During this time period from '81 to '83</p> <p>11 when you were director of operations would it be</p> <p>12 accurate to say that you received copies of fee</p> <p>13 schedules for services and drugs to use in claims</p> <p>14 processing, but had no information as to how the</p> <p>15 amounts on those fee schedules were calculated?</p> <p>16 A. I didn't actually receive them. They were</p> <p>17 embedded in the body of the claims processing</p> <p>18 system.</p> <p>19 Q. How did physicians submit claims for</p> <p>20 reimbursement to Bay State in the '81 to '83 time</p> <p>21 period?</p> <p>22 A. They used a paper claim form.</p>	<p style="text-align: right;">29</p> <p>1 A. I don't remember.</p> <p>2 Q. But there was a staff assigned to look up</p> <p>3 the codes when they were not provided?</p> <p>4 A. That's correct.</p> <p>5 Q. How many people were employed in that</p> <p>6 role?</p> <p>7 A. I don't remember.</p> <p>8 Q. Would it have been less than five, more</p> <p>9 than ten?</p> <p>10 A. Not more than ten.</p> <p>11 Q. Were the amounts that Bay State reimbursed</p> <p>12 physicians for the drugs and services in this time</p> <p>13 period uniform across the board?</p> <p>14 MR. COCO: Objection.</p> <p>15 Q. Let me rephrase the question and make it</p> <p>16 more clear. Did Bay State, in the '81 to '83 time</p> <p>17 period, reimburse every physician at the same amount</p> <p>18 for a given service or a given drug, or did the</p> <p>19 amounts vary from physician to physician?</p> <p>20 A. I believe it was a consistent fee</p> <p>21 schedule.</p> <p>22 Q. In 1983 did you move to a different</p>

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<p style="text-align: right;">30</p> <p>1 position?</p> <p>2 A. I became the vice president for</p> <p>3 operations.</p> <p>4 Q. How long did you hold that position?</p> <p>5 A. Until 1987.</p> <p>6 Q. Did your areas of responsibility change at</p> <p>7 all as vice president of operations?</p> <p>8 A. No.</p> <p>9 Q. Same three areas we discussed previously?</p> <p>10 A. Yes.</p> <p>11 Q. Was there one director of operations</p> <p>12 working under you or more than one?</p> <p>13 A. There was a director level person who led</p> <p>14 each of the areas that were under me.</p> <p>15 Q. Was this a change from the previous</p> <p>16 structure when you were director of operations?</p> <p>17 A. Not really.</p> <p>18 Q. When you were director of operations were</p> <p>19 you tasked with one of the three areas that we</p> <p>20 discussed or all three?</p> <p>21 A. All three.</p> <p>22 Q. When you became the VP did the directors</p>	<p style="text-align: right;">32</p> <p>1 baby.</p> <p>2 Q. What did you do after that year?</p> <p>3 A. I spent about seven months doing some</p> <p>4 consulting work for Blue Cross Blue Shield.</p> <p>5 Q. What was the nature of the consulting work</p> <p>6 that you performed?</p> <p>7 A. I consulted on a variety of issues related</p> <p>8 to the Blue Cross staff model HMO's.</p> <p>9 Q. Now was that your first exposure to a</p> <p>10 staff model HMO?</p> <p>11 A. Yes.</p> <p>12 Q. Were you familiar with the concept prior</p> <p>13 to that time?</p> <p>14 A. Yes.</p> <p>15 Q. When did you first become familiar with</p> <p>16 the concept of a staff model HMO?</p> <p>17 A. When I began working for Bay State.</p> <p>18 Q. Was this the -- in the 1998 time frame</p> <p>19 when you worked for -- consulted for BCBS, was this</p> <p>20 the first time you worked directly with a staff</p> <p>21 model HMO?</p> <p>22 A. Yes.</p>
<p style="text-align: right;">31</p> <p>1 of operations under you similarly deal with all</p> <p>2 three areas or had they become dedicated?</p> <p>3 A. They became dedicated to the specific</p> <p>4 areas.</p> <p>5 Q. That took place after you became VP?</p> <p>6 A. Yes.</p> <p>7 Q. Your responsibilities were oversight of</p> <p>8 all three areas?</p> <p>9 A. Yes.</p> <p>10 Q. During your tenure as VP for operations</p> <p>11 did you at any point gain an understanding as to how</p> <p>12 the amounts that were set in the fee schedules were</p> <p>13 calculated?</p> <p>14 A. No.</p> <p>15 Q. Is that true for the fee schedule amount</p> <p>16 that applied to reimbursing physicians for services</p> <p>17 as well as the fee schedules that applied to</p> <p>18 reimbursing physicians for drugs?</p> <p>19 A. Yes.</p> <p>20 Q. In 1987 did you move to another company or</p> <p>21 another position?</p> <p>22 A. I actually took a year off after having a</p>	<p style="text-align: right;">33</p> <p>1 Q. What were the issues on which you were</p> <p>2 consulting with the BCBS staff model?</p> <p>3 A. I worked on projects related to</p> <p>4 coordination of benefits. I don't remember on the</p> <p>5 specific things I worked on.</p> <p>6 Q. Do you recall any areas you worked on,</p> <p>7 consulted on other than coordination of benefits?</p> <p>8 A. I can't recall any.</p> <p>9 Q. What was the work that you did in relation</p> <p>10 to coordination of benefits?</p> <p>11 A. Helping the staff model set up a system to</p> <p>12 identify members who had more than one insurance</p> <p>13 coverage.</p> <p>14 Q. Did the staff model HMO for BCBS provide</p> <p>15 treatment to individuals who had insurance through</p> <p>16 companies other than Blue Cross Blue Shield of</p> <p>17 Massachusetts?</p> <p>18 A. Yes.</p> <p>19 Q. Was the coordination of benefits work</p> <p>20 related to those situations where individuals had</p> <p>21 insurance from other health insurance companies?</p> <p>22 A. No. It was actually related to when it</p>

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<p style="text-align: right;">34</p> <p>1 was the member had insurance from Blue Cross Blue 2 Shield, but also had other insurance. 3 Q. By other insurance, are you referring to 4 more than one product from Blue Cross Blue Shield, 5 or a BCBS product plus a product from some other 6 health insurer? 7 A. A product from another health insurer. 8 Q. Can you provide an example of a situation 9 where that might occur? 10 A. A husband and wife may both be employed 11 and may both have health insurance that covers one 12 another or covers the children. 13 Q. How did you come to start consulting for 14 BCBS in 1988? 15 A. The president of Bay State that I had 16 worked for had made some contact with the individual 17 who was in charge of the Blue Cross health centers 18 at that time, and he expressed an interest in hiring 19 someone to work on some HMO type functions with the 20 staff models, and that individual gave him my name. 21 Q. Now who was the person in charge of the 22 BCBS health centers at that time?</p>	<p style="text-align: right;">36</p> <p>1 '91, '90 time frame. 2 Q. Was Mr. Davey the one who was responsible 3 for bringing you on as a consultant? 4 A. Yes. 5 Q. In 1988 at the end of that seven-month 6 period when you were consulting, what did you do 7 next? 8 A. I was hired by Blue Cross Blue Shield as 9 the executive director for the Medical East 10 Community health center site in Braintree. 11 Q. Now when you refer to the community health 12 center, was that a hospital or a physician office? 13 A. A physician office. 14 Q. How many physicians were employed at the 15 community health center in Braintree? 16 A. About 25. 17 Q. Did those 25 doctors come from one area of 18 practice, or were they cross specialties? 19 A. Cross specialties. 20 Q. Did they include rheumatologists? 21 A. Yes. 22 Q. Oncologists?</p>
<p style="text-align: right;">35</p> <p>1 A. Ron Davey. 2 Q. Is that D-A-V-Y? 3 A. D-A-V-E-Y, I believe. 4 Q. Do you recall what Mr. Davey's title was 5 at that time? 6 A. I don't. 7 Q. When you refer to the health centers, are 8 you referring to the entire staff model HMO 9 organization, or are you referring to some part of 10 that organization? 11 A. I'm referring to some part of the 12 organization. 13 Q. By health centers are you referring to 14 hospitals, physician offices or both? 15 A. I'm referring to physicians' offices. 16 Q. Do you know how long Mr. Davey was in 17 charge of the staff model HMO physician offices? 18 A. I don't remember exactly. 19 Q. Is Mr. Davey still with the company? 20 A. No. 21 Q. Do you know when he left the company? 22 A. It was in, I believe, 1990, early '90's,</p>	<p style="text-align: right;">37</p> <p>1 A. No. 2 Q. Hematologists? 3 A. I don't remember hematologist. 4 Q. Do you recall what areas of specialty were 5 represented? 6 A. There were internal medicine physicians 7 with a variety of different sub specialties 8 including rheumatology, and I don't remember the 9 other sub specialties. There were pediatricians. 10 There were surgeons and there were OB/GYN 11 physicians. They were employed by the health 12 center, and then there were other physicians that 13 were brought into the health center under contract. 14 Q. When you referred to 25 doctors earlier, 15 were you including the contracted physicians? 16 A. No. 17 Q. How many contracted physicians were there? 18 A. I don't remember exactly, but somewhere 19 around probably six or seven. 20 Q. What was the distinction between the 21 doctors who were employees versus contracted? 22 A. The employed physicians were actually</p>

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<p style="text-align: right;">38</p> <p>1 employees of Blue Cross Blue Shield of Massachusetts 2 and did not have practices outside of the health 3 center. 4 The physicians who were contracted 5 physicians were not employed by Blue Cross Blue 6 Shield and had practices outside of the health 7 center and then contracted with the health center to 8 come into the building and see patients who were 9 members of the staff model. 10 Q. Was there any particular reason for using 11 both avenues to get physicians to treat members? 12 A. Many of the physicians that were under 13 contract weren't needed on a full-time basis. 14 Q. Did the contract physicians include any 15 oncologists? 16 A. No. 17 Q. You stated earlier that the community 18 health center you were responsible for was part of 19 Medical East, is that correct? 20 A. That's correct. 21 Q. What is Medical East? 22 A. Medical East was Blue Cross Blue Shield</p>	<p style="text-align: right;">40</p> <p>1 1988, was it just getting started, or had it already 2 been in existence for some time? 3 A. It had been in existence for some time. 4 Q. Do you know when that organization was 5 created? 6 A. I don't remember exactly. 7 Q. Do you know whether it was in the late 8 '80's, early '80's, '70's? 9 A. I don't remember. 10 Q. How many health centers did the staff 11 model HMO consist of at the time you first joined it 12 in 1988? 13 A. Medical East had a location in Braintree 14 at New England Deaconess, Norwood, Peabody and 15 Methuen, and then Medical West had three or four 16 locations, I don't remember exactly. 17 Q. How long did you work for the staff model 18 HMO organization? 19 A. Until 1991. 20 Q. By 1981 had the number of facilities 21 increased, decreased or stayed the same? 22 MR. COCO: You said '81. Can you --</p>
<p style="text-align: right;">39</p> <p>1 part of its staff model organization. 2 Q. There was also a medical West 3 organization, correct? 4 A. That's correct. 5 Q. Did Medical East deal with the eastern 6 part of the state and Medical West the western part 7 of the state? 8 A. That's correct. 9 Q. Did Medical East and Medical West form one 10 entity or were they separate groups? 11 A. It was one entity that was actually called 12 Medical West. Then there were the two divisions, 13 the East and the West. 14 Q. So the staff model HMO was called Medical 15 West as a whole? 16 A. Yes. 17 Q. But Medical West actually had two parts, 18 one of which was Medical West, but the other was 19 Medical East? 20 A. That's correct. 21 Q. I wonder who thought of that. When you 22 joined the BCBS of Massachusetts staff model HMO in</p>	<p style="text-align: right;">41</p> <p>1 MR. MANGI: Sorry. 2 Q. By 1991. 3 A. The number had decreased. 4 Q. To what extent had the number decreased by 5 1990? 6 A. The location at New England Deaconess was 7 closed and, you know, I can't remember exactly. The 8 Norwood location was also closed, but I don't 9 remember whether that was -- it was right around the 10 1991 time frame. I can't remember whether it was 11 some time after '91 or still -- or before. 12 Q. Are all of the facilities that you 13 described earlier, the five for Medical East and the 14 three or four for Medical West, were those all 15 physicians' offices? 16 A. Yes. 17 Q. Did Medical East or Medical West also own 18 any hospitals? 19 A. No. 20 Q. What happened when a patient who came for 21 treatment to one of these staff model HMO physician 22 office sites needed hospital treatment?</p>

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<p style="text-align: right;">42</p> <p>1 A. They would be referred to a hospital that 2 the health center had a contract with. 3 Q. Did Medical East, Medical West own any 4 retail pharmacies? 5 A. No. 6 Q. So if a physician needed a self- 7 administered drug, it would be given a prescription 8 and would fill it at an outside retail pharmacy? 9 A. The health centers did have pharmacies, 10 but they were not the retail pharmacies. They were 11 used solely for the members of the health plan. 12 Q. Where were those pharmacies housed? 13 A. Within the health centers. 14 Q. So if a patient went to a health center, 15 got a prescription, he would then fill it at a 16 pharmacy within the same facility? 17 A. That's correct. 18 Q. If a doctor needed to administer a drug to 19 a patient in the course of an office visit, how 20 would the doctor get the drug? 21 A. It would be supplied by the pharmacy. 22 Q. By the pharmacy, you're referring to the</p>	<p style="text-align: right;">44</p> <p>1 all the sites at Medical West? 2 A. It was smaller than some of the sites in 3 the West. 4 Q. What was the largest site in the West? 5 A. I believe it was the Chicopee location. 6 Q. Do you know how many physicians were 7 employed at the Chicopee location? 8 A. I do not. 9 Q. Can you approximate the size of the 10 Chicopee's facility relative to Braintree? Was it 11 twice as big, three times as big? 12 A. It was at least twice as big. 13 Q. Your position as executive director for 14 the Braintree site, how long did you hold that 15 title? 16 A. Until 1991. 17 Q. Where did you move to in 1991? 18 A. I became, still within Blue Cross, the 19 regional executive director for HMO Blue. 20 Q. After 1991 did you work directly at any 21 sites owned by staff model HMO? 22 A. My office was not located in the staff</p>
<p style="text-align: right;">43</p> <p>1 same pharmacy within the facility owned by the staff 2 model HMO? 3 A. That's correct, unless it was a drug that 4 wasn't carried by that pharmacy and had to come from 5 an outside source. 6 Q. We spoke earlier about the number of 7 physicians employed at the Braintree site, around 8 about 25 plus six or seven contracted doctors. Were 9 all the health centers of approximately the same 10 size? 11 A. No, the health centers in the East were 12 smaller. Braintree was the largest health center in 13 the East. 14 Q. What was the smallest health center in the 15 East? 16 A. It was either Norwood or New England 17 Deaconess. 18 Q. Approximately how many physicians were 19 employed at those facilities? 20 A. Three or four. 21 Q. Now Braintree was the largest size for 22 Medical East, but was Braintree still smaller than</p>	<p style="text-align: right;">45</p> <p>1 model any longer. 2 Q. But, of course, as the regional executive 3 director for HMO you still dealt with the staff 4 model HMO? 5 A. That's correct. 6 Q. We'll get to that in a minute. Let me 7 state first with this '88 to '91 time period can you 8 describe for me, please, the structure of the 9 Braintree site? 10 I understand you were the executive 11 director, and I understand there were 25 employed 12 physicians, contract physicians. Who else worked at 13 that site? 14 A. There was a medical director who was a 15 physician who I worked closely with in terms of the 16 clinical aspects of the practice. There were also 17 administrative people in terms of finance, human 18 resources, health center operations, you know, 19 maintenance, those kinds of activities, and then 20 there were a variety of medical disciplines 21 including nurses, psychologists, social workers, 22 physical therapists and then people who did, you</p>

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<p style="text-align: right;">46</p> <p>1 know, business functions.</p> <p>2 Q. What sort of business people or business</p> <p>3 functions were performed at the site?</p> <p>4 A. There were people who assisted with</p> <p>5 scheduling, kind of patient relations activities.</p> <p>6 Q. There was also at least one pharmacist,</p> <p>7 right?</p> <p>8 A. I'm sorry, and there were pharmacists,</p> <p>9 right.</p> <p>10 Q. Do you know how many pharmacists were</p> <p>11 employed?</p> <p>12 A. I don't remember.</p> <p>13 Q. Within the pharmacy part of the side of</p> <p>14 the operation, was anyone employed other than</p> <p>15 pharmacists?</p> <p>16 A. There were assistants</p> <p>17 Q. Anyone else who worked at the site that</p> <p>18 you recall?</p> <p>19 A. No.</p> <p>20 Q. Do you recall how many people</p> <p>21 approximately in total worked at the Braintree site?</p> <p>22 A. I don't remember the number.</p>	<p style="text-align: right;">48</p> <p>1 A. No.</p> <p>2 Q. Do you know when he left the company?</p> <p>3 A. I don't know exactly when he left.</p> <p>4 Q. Now who did you and Doctor Foreman report</p> <p>5 to higher up in the organization?</p> <p>6 A. I reported to Ron Davey.</p> <p>7 Q. Was it your understanding that the</p> <p>8 executive directors of all of the community health</p> <p>9 centers reported to Mr. Davey?</p> <p>10 A. Those that were in the East.</p> <p>11 Q. Who was Mr. Davey's counterpart dealing</p> <p>12 with the West?</p> <p>13 A. Ron Hamilgarn.</p> <p>14 Q. Would you spell that for the court</p> <p>15 reporter? If you can.</p> <p>16 A. I'm not sure.</p> <p>17 Q. Hamilgarn?</p> <p>18 A. Hamilgarn.</p> <p>19 Q. Is Mr. Hamilgarn still with the company?</p> <p>20 A. No.</p> <p>21 Q. Do you know when Mr. Hamilgarn left?</p> <p>22 A. I do not.</p>
<p style="text-align: right;">47</p> <p>1 Q. More than 50?</p> <p>2 A. No.</p> <p>3 Q. More than a hundred?</p> <p>4 A. I believe it was more than a hundred.</p> <p>5 Q. More than 150?</p> <p>6 A. That's -- yes. I don't remember.</p> <p>7 Q. Somewhere over a hundred?</p> <p>8 A. Right.</p> <p>9 Q. As executive director were you the person</p> <p>10 that this entire staff reported to?</p> <p>11 A. The non physician staff reported to me.</p> <p>12 Q. Who did the physician staff report to?</p> <p>13 A. To the medical director.</p> <p>14 Q. Was the medical director on the same level</p> <p>15 as you were in the organization?</p> <p>16 A. Yes.</p> <p>17 Q. Who was the medical director of the</p> <p>18 Braintree site?</p> <p>19 A. Jonathan Foreman.</p> <p>20 Q. Was Mr. Foreman a doctor?</p> <p>21 A. Doctor.</p> <p>22 Q. Is Doctor Foreman still with the company?</p>	<p style="text-align: right;">49</p> <p>1 Q. Do you know who the medical director</p> <p>2 reported to?</p> <p>3 A. Doctor Frank Schultz.</p> <p>4 Q. Is that Schultz or --</p> <p>5 A. Schultz.</p> <p>6 Q. What was Doctor Schultz's position?</p> <p>7 A. I believe his title was regional medical</p> <p>8 director.</p> <p>9 Q. Mr. Davey and Mr. Hamilgarn, do you know</p> <p>10 who they reported to further up in the organization?</p> <p>11 A. They reported to Bill Schlag.</p> <p>12 Q. What was Mr. Schlag's position?</p> <p>13 A. I don't remember his title.</p> <p>14 Q. And do you know what his areas of</p> <p>15 responsibility were?</p> <p>16 A. He was responsible for all of the HMO</p> <p>17 activity that Blue Cross was involved in at the</p> <p>18 time.</p> <p>19 Q. When you say, HMO activity, are you</p> <p>20 referring to the staff model HMO?</p> <p>21 A. Staff model IPA and group models that Blue</p> <p>22 Cross also was involved with back then.</p>

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<p style="text-align: right;">50</p> <p>1 Q. If you had to, in the '88 to '91 time 2 period, identify the one person who had overall 3 responsibility for the staff model HMO's, would it 4 be Mr. Schlag? 5 A. Yes. 6 Q. Is Mr. Schlag still with the company? 7 A. No, he's not. 8 Q. Do you know when Mr. Schlag left the 9 company? 10 A. He left in the early '90's. I don't 11 remember exactly when. 12 Q. Do you know who Mr. Schlag reported to? 13 A. I don't remember. 14 Q. How did the pharmacies within the staff 15 model HMO community health centers go about 16 acquiring drugs? 17 A. I don't know. 18 Q. Did the pharmacies at each health center 19 deal with drug acquisition independently, or was it 20 done on some group level? 21 A. It was done on a group level. 22 Q. Do you know what person or department was</p>	<p style="text-align: right;">52</p> <p>1 Q. Did you have a role in reviewing that 2 financial analysis? 3 A. Yes. 4 Q. Do you know whether or not that financial 5 analysis included the operation of the pharmacy? 6 A. It included aspects of the pharmacy. 7 Q. Did that analysis include the costs of 8 acquiring drugs for the pharmacies? 9 A. No. 10 Q. Was it limited to the overhead costs of 11 running the pharmacy after drugs were excluded, 12 things like electricity and staffing and things like 13 that? 14 A. Yes. 15 Q. Was it your understanding that the 16 financial analysis related to drug acquisition was 17 done at some higher level outside of the Braintree 18 site? 19 A. Yes. 20 Q. Did you have any understanding as to where 21 that financial analysis was performed? 22 A. No.</p>
<p style="text-align: right;">51</p> <p>1 responsible for acquiring drugs for the community 2 health centers? 3 A. I don't remember. 4 Q. Was there a department or division within 5 the organization that dealt with contracts with drug 6 wholesalers or manufacturers? 7 A. That's how I remember it. 8 Q. Do you know what that department was 9 called? 10 A. I don't. 11 Q. Do you recall the names of any individuals 12 who dealt with or worked in that department? 13 A. I don't remember. 14 Q. At the Braintree site you mentioned that 15 part of the staff included financial people? 16 A. Yes. 17 Q. What were their responsibilities? 18 A. They kept financial statements for their 19 individual health center and were also responsible 20 for the accounting function in terms of accounts 21 receivable and accounts payable, those kinds of 22 general accounting activities.</p>	<p style="text-align: right;">53</p> <p>1 MR. COCO: We've been going for about an 2 hour. Whenever is convenient for you. 3 MR. MANGI: Sure. This is a good time. 4 (Brief Recess.) 5 Q. Miss Coneys, before the break we were 6 talking about the '88 to '91 time period you worked 7 at the Braintree site. Do you know whether BCBS of 8 Massachusetts had, at that time, a pharmacy 9 department? 10 A. There was an area that handled the drugs 11 for the health centers. 12 Q. Do you know whether that group was the 13 same as the pharmacy department at BCBS of 14 Massachusetts? 15 A. I do not know. 16 Q. Do you know whether or not at that time 17 BCBS of Massachusetts had a pharmacy director? 18 A. I do not know. 19 Q. Do you know whether there was anyone in 20 charge of the pharmacy area at BCBS of 21 Massachusetts, be it a VP or director or anyone? 22 A. I do not know.</p>

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<p style="text-align: right;">54</p> <p>1 Q. Now sticking with the Braintree site for a</p> <p>2 moment, how was the budget for that site's operation</p> <p>3 determined?</p> <p>4 A. I don't remember exactly how the budget</p> <p>5 was determined.</p> <p>6 Q. Was there an annual budget specific to the</p> <p>7 Braintree site?</p> <p>8 A. Yes, there was.</p> <p>9 Q. Did that budget include the costs of drugs</p> <p>10 for the pharmacy that were dispensed through the</p> <p>11 pharmacy?</p> <p>12 A. I don't remember if they were included in</p> <p>13 the health center's budget or not.</p> <p>14 Q. Can you describe for me logistically how</p> <p>15 financial arrangements were structured between the</p> <p>16 Braintree site and the BCBS of Massachusetts</p> <p>17 organization?</p> <p>18 A. I'm not sure what you mean.</p> <p>19 MR. COCO: Objection.</p> <p>20 Q. In other words was there an annual sum</p> <p>21 provided for operations for the year? Were there</p> <p>22 ongoing payments from the parent to the Braintree</p>	<p style="text-align: right;">56</p> <p>1 other aspects of its operation was the Braintree</p> <p>2 site independently responsible for?</p> <p>3 A. I think I'm troubled by the use of the</p> <p>4 word, independent.</p> <p>5 Q. Sure. Let me try and clarify what I'm</p> <p>6 trying to understand. The annual budget that we</p> <p>7 spoke about earlier, that was a budget specific to</p> <p>8 the Braintree site, correct?</p> <p>9 A. Right.</p> <p>10 Q. Now did that budget include the salaries</p> <p>11 of the employees of the Braintree site?</p> <p>12 A. Yes.</p> <p>13 Q. Did that budget include every expense</p> <p>14 specific to the operation of the Braintree site?</p> <p>15 Let me just ask you that.</p> <p>16 MR. COCO: Objection.</p> <p>17 A. I don't believe it included every expense.</p> <p>18 Q. What was included in the budget, and what</p> <p>19 was excluded from the budget?</p> <p>20 A. I don't remember specifically.</p> <p>21 Q. Now the salaries for employees, those were</p> <p>22 paid directly from BCBS of Massachusetts to the</p>
<p style="text-align: right;">55</p> <p>1 site? I'm trying to understand generally how the</p> <p>2 financial structure was operated.</p> <p>3 MR. COCO: Objection.</p> <p>4 A. I don't remember.</p> <p>5 Q. Well, let's see if we can break it down.</p> <p>6 There was an annual budget, correct?</p> <p>7 A. Yes.</p> <p>8 Q. After that budget was finalized, was there</p> <p>9 an annual lump sum payment provided to the Braintree</p> <p>10 site to cover the costs of that annual operation?</p> <p>11 A. I don't remember.</p> <p>12 Q. Was the Braintree site responsible for</p> <p>13 issuing paychecks to its own employees?</p> <p>14 A. No.</p> <p>15 Q. Was the Braintree site responsible for</p> <p>16 procuring its own supplies in terms of medical</p> <p>17 treatments, sponges, gauzes, things like that?</p> <p>18 A. No.</p> <p>19 Q. Was the Braintree site responsible for its</p> <p>20 own maintenance and upkeep costs?</p> <p>21 A. Yes.</p> <p>22 Q. Other than maintenance and upkeep what</p>	<p style="text-align: right;">57</p> <p>1 employees, right?</p> <p>2 A. Yes.</p> <p>3 Q. So as executive director you received your</p> <p>4 check from the payroll department or someone else at</p> <p>5 BCBS Massachusetts, correct?</p> <p>6 A. Yes.</p> <p>7 Q. Were there any expenses with regard to</p> <p>8 which a sum of money was transferred from BCBS to</p> <p>9 the Braintree site and then distributed further?</p> <p>10 A. I don't recall if there was money actually</p> <p>11 transferred or not.</p> <p>12 Q. We spoke earlier about drugs that the</p> <p>13 pharmacy department acquired. You mentioned that if</p> <p>14 a physician wanted to administer a drug that was not</p> <p>15 available from the on-site pharmacy, it would be</p> <p>16 acquired from elsewhere. Do you recall that?</p> <p>17 A. Yes.</p> <p>18 Q. What was the process that was utilized to</p> <p>19 acquire drugs for administration to patients when</p> <p>20 they were not available from the on-site pharmacy?</p> <p>21 A. I don't remember.</p> <p>22 Q. Who would have been in charge of that</p>

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<p style="text-align: right;">58</p> <p>1 process?</p> <p>2 A. The person who was on site at Braintree</p> <p>3 who ran the pharmacy, the pharmacy director.</p> <p>4 Q. Did you mention earlier who the pharmacy</p> <p>5 director was at the Braintree site?</p> <p>6 A. I don't remember who it was at the time.</p> <p>7 Q. Do you recall the names of any pharmacy</p> <p>8 directors who, at any time, worked for the staff</p> <p>9 model HMO?</p> <p>10 A. I don't.</p> <p>11 Q. Now in the '88 to '91 time period, if you</p> <p>12 wanted to get an understanding as to how drugs were</p> <p>13 acquired for the pharmacy, who would you have gone</p> <p>14 to?</p> <p>15 MR. COCO: Objection.</p> <p>16 A. I don't know.</p> <p>17 Q. Would the pharmacy director have been a</p> <p>18 likely protocol?</p> <p>19 A. I don't know whether the pharmacy director</p> <p>20 would have known the details of the drug</p> <p>21 acquisition.</p> <p>22 Q. Did you ever make any inquiries as to how</p>	<p style="text-align: right;">60</p> <p>1 members, a minority of members?</p> <p>2 A. It was a minority.</p> <p>3 Q. Can you approximate the percentage of</p> <p>4 members who received treatment through the staff</p> <p>5 model HMO?</p> <p>6 A. It was a small percentage, but I couldn't</p> <p>7 really approximate what percent it was.</p> <p>8 Q. I'm trying to understand -- I know it was</p> <p>9 a minority, but are we talking in somewhere 45 to 49</p> <p>10 percent or one to two percent?</p> <p>11 Is there any sort of range that you'd be</p> <p>12 comfortable with approximating?</p> <p>13 A. It was not in 40 or 50 percent range.</p> <p>14 Exactly how small it was, I don't remember.</p> <p>15 Q. Do you know whether it was more than ten</p> <p>16 percent?</p> <p>17 A. I don't know if it was more than ten</p> <p>18 percent.</p> <p>19 Q. Could have been anywhere between one</p> <p>20 percent and 45 percent?</p> <p>21 A. I don't think it was as high as 45</p> <p>22 percent.</p>
<p style="text-align: right;">59</p> <p>1 drugs were acquired?</p> <p>2 A. No.</p> <p>3 Q. Could you have made such inquiries if you</p> <p>4 chose to?</p> <p>5 MR. COCO: Objection.</p> <p>6 A. I don't know.</p> <p>7 Q. Well, let me ask you another. Was there</p> <p>8 any prohibition on your making any inquiries as the</p> <p>9 executive director into a drug acquisition?</p> <p>10 A. No.</p> <p>11 Q. Now what proportion of -- withdraw that.</p> <p>12 In the '88 to '91 time period how many individuals</p> <p>13 received health insurance coverage through BCBS of</p> <p>14 Massachusetts?</p> <p>15 A. I don't remember the membership of Blue</p> <p>16 Cross at that time.</p> <p>17 Q. Do you know what proportion of BCBS</p> <p>18 Massachusetts members received treatment through the</p> <p>19 staff model HMO facilities versus outside</p> <p>20 facilities?</p> <p>21 A. I don't remember the number.</p> <p>22 Q. Do you know whether it was a majority of</p>	<p style="text-align: right;">61</p> <p>1 Q. What was the determining factor as to</p> <p>2 whether or not a particular individual received</p> <p>3 treatment at a staff model community health center</p> <p>4 versus an outside independent physician practice?</p> <p>5 A. Initially it was determined because of the</p> <p>6 product that the employer or the individual</p> <p>7 purchased from Blue Cross.</p> <p>8 Q. Did that change over time?</p> <p>9 A. Over time it changed when HMO Blue was</p> <p>10 developed and health centers became a provider</p> <p>11 entity within a bigger HMO that also included the</p> <p>12 health centers as well as independent practicing</p> <p>13 physicians.</p> <p>14 Q. Within the Braintree site in the '88 to</p> <p>15 '91 time period, what was the logistical process</p> <p>16 whereby the needs of the pharmacy in terms of drugs</p> <p>17 were identified?</p> <p>18 A. I don't know.</p> <p>19 Q. Do you have any understanding as to how</p> <p>20 the pharmacy figured out what it needed, went about</p> <p>21 getting it and then dispensing it?</p> <p>22 A. I don't.</p>

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<p style="text-align: right;">62</p> <p>1 Q. What was the logistical process whereby 2 physicians would acquire from the on-site pharmacy, 3 drugs that they wanted to administer to a patient in 4 the office? 5 A. There was a requisition that they used. 6 Q. Was that a standard form provided to them 7 by the site? 8 A. Yes. 9 Q. So the physician would fill out a 10 requisition form, send it to the pharmacy? 11 A. Yes. 12 Q. And the pharmacy would send back the drug? 13 A. Yes. 14 Q. Was that all done while a patient was in 15 the office awaiting a drug administration? 16 A. I don't know if it was done in advance or 17 while a patient was waiting. I think it depended on 18 the circumstances in terms of what was being 19 administered. 20 Q. Do you know whether or not the pharmacy at 21 the Braintree site -- withdraw that. I believe you 22 mentioned earlier that drug purchasing was done at</p>	<p style="text-align: right;">64</p> <p>1 organization to BCBS of Massachusetts executives? 2 A. No. 3 Q. Did you interact at all with anyone from 4 the parent organization from BCBS of Massachusetts? 5 A. No. 6 Q. Not even a periodic phone calls or 7 meetings? 8 A. Let me just correct that. Occasionally I 9 might be in touch with an attorney that worked for 10 Blue Cross Blue Shield or somebody from one or the 11 other administrative support areas like human 12 resources and so forth. 13 Q. Were you responsible for making any 14 presentations to -- or communications with Ron 15 Davey? 16 A. Yes. 17 Q. What sort of interactions did you have 18 with Mr. Davey? 19 A. I had discussions with him about the 20 performance and operations of the health center in 21 terms of the, you know, performance against budget 22 and so forth. Also dealt with him on any personnel</p>
<p style="text-align: right;">63</p> <p>1 an overall group level, not at the Braintree site or 2 other sites specifically, right? 3 A. That's right. 4 Q. Did the Braintree site then pay any amount 5 to a central organization or pool in return for 6 drugs it was receiving, or did it just receive drugs 7 based on need? 8 A. As I remember it received drugs based on 9 need. 10 Q. Now we'd spoke earlier about the financial 11 analysis that was carried out at the Braintree site. 12 Was that folded into any analytical product that was 13 then sent further up in the organization? 14 A. The Braintree site's financials would be 15 consolidated with the other health centers that were 16 part of Medical East and then also consolidated at 17 the Medical West entity level. What happened with 18 them beyond that is I'm not sure in terms of how 19 they were -- how much consolidation occurred at the 20 corporate level. 21 Q. Now were you, as the executive director, 22 responsible for any presentations to the parent</p>	<p style="text-align: right;">65</p> <p>1 issues or matters related to the operations of the 2 health center. 3 Q. In terms of performance and operations, 4 did you make formal presentations to Mr. Davey or 5 just informal chats? 6 A. They were informal. 7 Q. Do you know whether or not Mr. Davey had 8 responsibility for presenting information about the 9 Braintree site to his superiors in the organization? 10 A. I don't know exactly what he presented. 11 Q. Was any part of the information that you 12 submitted to Mr. Davey discussed with Mr. Davey 13 whether or not the Braintree site was profitable? 14 A. Yes. 15 Q. How was profitability determined? 16 A. It was based on assumed, you know, both 17 administrative and medical expense, assumed versus 18 actual administrative and medical expenses. 19 Q. By assumed, are you referring to 20 forecasts? 21 A. Excuse me? 22 Q. When you say, assumed expenses, are you</p>

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<p style="text-align: right;">66</p> <p>1 referring to forecasts?</p> <p>2 A. Forecast, right.</p> <p>3 Q. So if the Braintree site spent less than</p> <p>4 had been forecast, was considered profitable and if</p> <p>5 it spent more than was forecast, was considered not</p> <p>6 profitable?</p> <p>7 A. Correct.</p> <p>8 Q. Do you know whether or not those forecasts</p> <p>9 included analysis of the cost of drugs administered</p> <p>10 to patients at the health center?</p> <p>11 A. I don't specifically remember the pharmacy</p> <p>12 component of it.</p> <p>13 Q. Do you have any reason to think pharmacy</p> <p>14 was broken out?</p> <p>15 A. I don't.</p> <p>16 Q. The forecasts, who was responsible for</p> <p>17 generating those?</p> <p>18 A. The finance division.</p> <p>19 Q. Was that the finance division at</p> <p>20 Braintree?</p> <p>21 A. The financial associates who worked in the</p> <p>22 Braintree Health Center did not report to me. They</p>	<p style="text-align: right;">68</p> <p>1 A. I don't know.</p> <p>2 Q. Do you have an understanding as to whether</p> <p>3 it was one versus the other or a collaborative</p> <p>4 product?</p> <p>5 A. I don't.</p> <p>6 MR. MANGI: Let's go off the record for a</p> <p>7 moment so the videographer can change his tape.</p> <p>8 (Off the record briefly.)</p> <p>9 Q. Miss Coneys, before the break we were</p> <p>10 discussing profitability and the fact that it was</p> <p>11 calculated based on forecasts versus actual. From</p> <p>12 the period of time that you were executive director</p> <p>13 to the Braintree site, was the site profitable?</p> <p>14 A. No.</p> <p>15 Q. Was profitability assessed on an annual</p> <p>16 basis or some other basis?</p> <p>17 A. It was reviewed monthly.</p> <p>18 Q. Were there any monthly periods when the</p> <p>19 site was profitable?</p> <p>20 A. Yes.</p> <p>21 Q. For what period of time in the course of</p> <p>22 those three years was the site profitable versus not</p>
<p style="text-align: right;">67</p> <p>1 reported to the finance organization.</p> <p>2 Q. Who was the person in charge of the</p> <p>3 financial associates at the Braintree site?</p> <p>4 A. His name was Walter Hutchinson.</p> <p>5 Q. Is Mr. Hutchinson still with BCBS of</p> <p>6 Massachusetts?</p> <p>7 A. No.</p> <p>8 Q. Do you know when he left the company?</p> <p>9 A. I don't remember.</p> <p>10 Q. Do you know who Mr. Hutchinson reported to</p> <p>11 in the financial organization at BCBS of</p> <p>12 Massachusetts?</p> <p>13 A. I don't remember who he reported to.</p> <p>14 Q. Do you know what information the financial</p> <p>15 associates at the Braintree site communicated to the</p> <p>16 central financial organization?</p> <p>17 A. I don't.</p> <p>18 Q. Do you know whether the financial</p> <p>19 associates at the Braintree site were responsible</p> <p>20 for compiling the forecasts or whether it was the</p> <p>21 financial organization at Blue Cross Blue Shield of</p> <p>22 Massachusetts?</p>	<p style="text-align: right;">69</p> <p>1 profitable?</p> <p>2 A. It was mostly unprofitable.</p> <p>3 Q. What were the factors that led to the site</p> <p>4 being not profitable or to actuals exceeding</p> <p>5 forecast?</p> <p>6 MR. COCO: Objection.</p> <p>7 A. Could you ask the question again?</p> <p>8 Q. Sure. You mentioned that for the majority</p> <p>9 of time the site was not profitable. What were some</p> <p>10 of the factors that led to the site not being</p> <p>11 profitable the majority of the time? In other</p> <p>12 words, what are some of the factors that led to</p> <p>13 actuals exceeding forecasts?</p> <p>14 MR. COCO: Objection.</p> <p>15 A. Some of the factors included the</p> <p>16 membership at the health center being lower than</p> <p>17 what was forecasted and therefore what the capacity,</p> <p>18 you know, was. What the capacity of the health</p> <p>19 center was set at versus how many members actually</p> <p>20 received their care there, and then the other major</p> <p>21 factor related to utilization, more use than</p> <p>22 forecasted.</p>

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<p style="text-align: right;">70</p> <p>1 Q. If the membership was lower than forecast, 2 does that mean that fewer patients sought treatment 3 at the Braintree site that was anticipated? 4 A. That's correct. 5 Q. Wouldn't that lead to the site having 6 lower expenses versus higher expenses? 7 A. It had, you know, overhead that was the 8 space and staff and so forth that it wasn't covered 9 by the volume of members using the site. 10 Q. Well, how did the number of members that 11 used the site affect the budget of the site or the 12 amount of money that came to the site? 13 A. There were certain costs for the site that 14 were fixed, so those costs were those costs. There 15 were other costs that were determined based on a per 16 member, you know, per month or per member per year 17 basis, so it was a combination of both 18 methodologies. 19 Q. Now when you say certain -- when you refer 20 to the per member per month amounts, what are you 21 referring to there? 22 A. There would be an assumption that for</p>	<p style="text-align: right;">72</p> <p>1 lower revenue being attributed to the site because 2 the revenue was determined based on the number of 3 patients and members who chose the site as their 4 site of care. 5 Q. That's the aspect of this I am trying to 6 understand. How was revenue, number one, determined 7 and then advanced and then calculated? 8 MR. COCO: Objection. 9 A. Revenue was determined based on the 10 premium that the health plan collected from the 11 members who selected the health center. There were 12 also some fee for service patients that were seen. 13 The health center did have a contract with the 14 Medicaid program, so it did see some Medicaid 15 members and received some revenue from Medicare as 16 well. 17 Q. Those premium payments would be made to 18 the central organization to BCBS of Massachusetts, 19 right? 20 A. Correct. 21 Q. Would that revenue then be somehow 22 transferred to the Braintree site or attributed to</p>
<p style="text-align: right;">71</p> <p>1 every member there would be a certain amount of 2 hospital care utilized or, you know, office visit 3 care utilized, prescription drug utilized. 4 Those kinds of things were determined on a 5 per member, per month projection versus the cost of 6 the building which was fixed and known in terms of 7 the lease cost and operating costs of the building. 8 Q. Well, those were the two aspects that 9 built up into the forecast, right? 10 MR. COCO: Objection. 11 A. Those were two of the factors. 12 Q. So there was one amount that was forecast 13 in relation to the fixed expenses, and then there 14 was another amount that was forecast in relation to 15 the number of members who would receive treatment at 16 that site? 17 A. Right. 18 MR. COCO: Objection. 19 Q. Now if fewer than the anticipated number 20 of members sought treatment at the site, wouldn't 21 that result in a lower expenditure by the site? 22 A. Yes, it would, but it would also result in</p>	<p style="text-align: right;">73</p> <p>1 the Braintree site? 2 A. Attributed to the Braintree site. 3 Q. Now if the revenue that was attributed to 4 the Braintree site was less than had been 5 anticipated, in other words, if fewer patients chose 6 the Braintree site than had been anticipated, would 7 that affect the actuals number that was used in 8 assessing the profitability of the site? 9 A. Yes. 10 Q. How would it affect that actuals number? 11 A. If there were -- if there was less revenue 12 then there would be less, you know, revenue 13 contributed to the overhead. The overhead didn't 14 change, much of the overhead. 15 Q. So the actuals number was not comprised 16 just of expenses. It was the difference between 17 expenses and revenue attributed to the site, is that 18 correct? 19 A. Yes. 20 MR. COCO: I'll insert an objection. 21 Q. In 1991 you became the regional executive 22 director for HMO Blue, is that correct?</p>

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<p style="text-align: right;">74</p> <p>1 A. Yes.</p> <p>2 Q. What were the circumstances in which you</p> <p>3 moved from the Braintree site to the BCBS of</p> <p>4 Massachusetts organization?</p> <p>5 A. The company had made a decision that it</p> <p>6 would take all of its existing HMO's, both staff</p> <p>7 model and IPA group models, and combine them into</p> <p>8 one HMO product and expand it to have a state-wide</p> <p>9 presence, so I was asked to take a role within the</p> <p>10 organization that was developing the HMO product.</p> <p>11 Q. Was that product referred to as HMO Blue?</p> <p>12 A. Yes.</p> <p>13 Q. Can you describe in broad terms how HMO</p> <p>14 Blue was different from what had existed prior and</p> <p>15 how it functioned in the market?</p> <p>16 A. Prior to HMO Blue, Blue Cross had a number</p> <p>17 of HMO's that were sort of, you know, they were sold</p> <p>18 as separate products and they were managed in</p> <p>19 different ways within the organization. With the</p> <p>20 development of HMO Blue the company had the desire</p> <p>21 to combine all of its HMO entities into one entity</p> <p>22 and one product and market it as one product and</p>	<p style="text-align: right;">76</p> <p>1 Q. Did Medical East, Medical West remain in</p> <p>2 existence after the creation of HMO Blue?</p> <p>3 A. They did for some time, but I don't</p> <p>4 remember exactly when they stopped existing as</p> <p>5 separate entities.</p> <p>6 Q. Are you thinking of a time when a staff</p> <p>7 model HMO ceased to be a part of BCBS of</p> <p>8 Massachusetts, or are you thinking of a name change?</p> <p>9 A. Both.</p> <p>10 Q. Well, let's take them one by one. After</p> <p>11 you left the Braintree site, what is your</p> <p>12 understanding of the changes that took place in the</p> <p>13 structure and organization of the staff model HMO?</p> <p>14 A. The staff model HMO continued to operate</p> <p>15 as -- I'm sorry -- discontinued to operate as a</p> <p>16 staff model. Eventually the physician practices</p> <p>17 that were owned by Blue Cross that were formally the</p> <p>18 health center practices or staff model practices</p> <p>19 were sold.</p> <p>20 Q. Now when you refer to staff model stopped</p> <p>21 operating and health centers being sold, are you</p> <p>22 referring to one event one time period?</p>
<p style="text-align: right;">75</p> <p>1 make that product state-wide. The HMO's prior to</p> <p>2 that did not provide state-wide coverage. There</p> <p>3 were gaps in coverage across the state.</p> <p>4 Q. So let me see if I understand this. Prior</p> <p>5 to HMO Blue a member may sign up for a particular</p> <p>6 product whereby he would receive his treatment at</p> <p>7 the Medical East facilities, right?</p> <p>8 A. Correct.</p> <p>9 Q. Or he may sign up for another product and</p> <p>10 then he would get his treatment at physician</p> <p>11 practices outside of the staff model HMO?</p> <p>12 A. Correct.</p> <p>13 Q. After HMO Blue, how did things change from</p> <p>14 the perspective of the individual patient who signed</p> <p>15 onto that product?</p> <p>16 A. The patient would sign onto HMO Blue and</p> <p>17 then would have the choice of physicians, either any</p> <p>18 physician who was part of HMO Blue which included</p> <p>19 the physicians who practiced at the health centers.</p> <p>20 Q. Now HMO Blue is just the name of the</p> <p>21 product, correct?</p> <p>22 A. Correct.</p>	<p style="text-align: right;">77</p> <p>1 A. I believe they happened in separate time</p> <p>2 periods.</p> <p>3 Q. Well, what happened -- which came first?</p> <p>4 A. The staff model stopped operating as a</p> <p>5 staff model.</p> <p>6 Q. What happened in the interim time period</p> <p>7 between when it stopped operating as a staff model</p> <p>8 and when the staff centers were sold?</p> <p>9 A. The physicians and staff of those health</p> <p>10 centers continued to be Blue Cross Blue Shield of</p> <p>11 Massachusetts employees, but there was not a product</p> <p>12 that was sold as a staff model HMO product, and the</p> <p>13 health center stopped using the name, Medical West -</p> <p>14 - I'm sorry, Medical East and Medical West, and the</p> <p>15 physicians adopted practice names.</p> <p>16 The Braintree health center became known</p> <p>17 as the Braintree Medical Associates who were part of</p> <p>18 HMO Blue.</p> <p>19 Q. Now during that interim period the</p> <p>20 physicians and other staff of the facilities were</p> <p>21 still full-time salaried employees of BCBS of</p> <p>22 Massachusetts, right?</p>

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21 (Pages 78 to 81)

<p style="text-align: right;">78</p> <p>1 A. Yes.</p> <p>2 Q. Were they still receiving drugs, acquiring</p> <p>3 drugs through the same channels as before or were</p> <p>4 they now purchasing them independently?</p> <p>5 A. I don't know.</p> <p>6 Q. You say that BCBS stopped selling staff</p> <p>7 model HMO product. Did these facilities in that</p> <p>8 interim period receive all of their patients through</p> <p>9 HMO Blue?</p> <p>10 A. No.</p> <p>11 Q. Where did they get patients from?</p> <p>12 A. They began to join other health plans as</p> <p>13 well as accepting private-paying patients.</p> <p>14 Q. Did they get some of their patients</p> <p>15 through HMO Blue?</p> <p>16 A. Yes.</p> <p>17 Q. Was this in a period of time that was</p> <p>18 built into the transition to build these up as</p> <p>19 independent physician practices?</p> <p>20 A. I don't understand your question.</p> <p>21 Q. Well, this interim period that we've been</p> <p>22 talking about, was this something that just came</p>	<p style="text-align: right;">80</p> <p>1 Caremark purchased?</p> <p>2 A. I don't.</p> <p>3 Q. Do you know what portion of the centers</p> <p>4 were purchased?</p> <p>5 A. I don't.</p> <p>6 Q. Do you know who bought the other health</p> <p>7 centers?</p> <p>8 A. I don't.</p> <p>9 MR. COCO: Objection.</p> <p>10 Q. Do you know the names of any entities that</p> <p>11 purchase any of the other community health centers?</p> <p>12 A. I don't.</p> <p>13 Q. How long were you the regional executive</p> <p>14 director for HMO Blue?</p> <p>15 A. About a year.</p> <p>16 Q. From about '91 to '92? What were your</p> <p>17 responsibilities in that position?</p> <p>18 A. I was responsible for the provider network</p> <p>19 in Eastern Massachusetts both in terms of</p> <p>20 contracting with physicians in hospitals as well as</p> <p>21 provider relations.</p> <p>22 Q. Anything else?</p>
<p style="text-align: right;">79</p> <p>1 into existence on its own, or was it part of a</p> <p>2 larger plan to eventually making these independent</p> <p>3 organizations or selling them?</p> <p>4 MR. COCO: Objection.</p> <p>5 A. I don't know.</p> <p>6 Q. Do you know when these two events took</p> <p>7 place?</p> <p>8 A. I don't remember when they happened.</p> <p>9 Q. Was it some time in the mid 1990's?</p> <p>10 A. I don't know.</p> <p>11 Q. Do you know how long the interim period</p> <p>12 was?</p> <p>13 A. I don't know.</p> <p>14 Q. Do you know who the health centers were</p> <p>15 sold to?</p> <p>16 A. I believe it was Caremark if I got the</p> <p>17 right name.</p> <p>18 Q. Is it your understanding that all of the</p> <p>19 health centers were sold to Caremark or just some of</p> <p>20 them?</p> <p>21 A. Just some of them.</p> <p>22 Q. Do you know how many health centers</p>	<p style="text-align: right;">81</p> <p>1 A. No.</p> <p>2 Q. Were the contracts that you were</p> <p>3 responsible for specific to HMO Blue?</p> <p>4 A. Yes.</p> <p>5 Q. So if a physician entered into a contract</p> <p>6 with BCBS of Massachusetts and with your department</p> <p>7 specifically, they were agreeing to accept patients</p> <p>8 for HMO Blue, but not for any other product, is that</p> <p>9 correct?</p> <p>10 A. The contracts that I was responsible for</p> <p>11 were for HMO Blue.</p> <p>12 Q. What were the methodologies that those</p> <p>13 contracts specified for reimbursing physicians for</p> <p>14 services that they provided?</p> <p>15 A. The physicians were reimbursed on fee</p> <p>16 schedule.</p> <p>17 Q. How were the physicians reimbursed for</p> <p>18 drugs that they administered to patients in the</p> <p>19 office?</p> <p>20 A. It was on a fee schedule.</p> <p>21 Q. Do you have an understanding as to how</p> <p>22 either of those fee schedule amounts were calculated</p>

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22 (Pages 82 to 85)

<p style="text-align: right;">82</p> <p>1 or derived?</p> <p>2 A. I do not.</p> <p>3 Q. Was there a period of time during your</p> <p>4 tenure at BCBS Massachusetts when you did get an</p> <p>5 understanding as to how fee schedule amounts are</p> <p>6 calculated or derived?</p> <p>7 A. No.</p> <p>8 Q. So as you sit here today you have no</p> <p>9 understanding as to how BCBS of Massachusetts</p> <p>10 reimburses providers with drugs they administer in</p> <p>11 office?</p> <p>12 A. No.</p> <p>13 MR. COCO: Objection.</p> <p>14 Q. You know that it's, in some cases, by</p> <p>15 reference for fee schedule or not?</p> <p>16 A. That's my understanding.</p> <p>17 Q. But you don't know what methodology is</p> <p>18 used to arrive at the numbers on the fee schedule?</p> <p>19 A. I do not.</p> <p>20 Q. What sort of issues did you deal with in</p> <p>21 your role as regional executive director for HMO</p> <p>22 Blue when working on provider network creation and</p>	<p style="text-align: right;">84</p> <p>1 Q. Well, you described earlier the broad</p> <p>2 structure of the product. In other words, it was</p> <p>3 intended to encompass all different HMO products</p> <p>4 that the organization has. Do you recall that</p> <p>5 testimony?</p> <p>6 A. Yes.</p> <p>7 Q. Now obviously as we've discussed, the</p> <p>8 staff model was sold off at one point. Other than</p> <p>9 that have there been any changes in the broad</p> <p>10 structure of the product and how it's organized?</p> <p>11 MR. COCO: Objection.</p> <p>12 A. I still don't know exactly what you mean.</p> <p>13 Q. Let's break it down.</p> <p>14 A. Okay.</p> <p>15 Q. Does HMO Blue remain a product that</p> <p>16 provides patients with state-wide coverage?</p> <p>17 A. Yes.</p> <p>18 Q. Does HMO Blue currently encompass</p> <p>19 different types of HMO organizations within it?</p> <p>20 A. No.</p> <p>21 Q. What types of organizations are currently</p> <p>22 within HMO Blue?</p>
<p style="text-align: right;">83</p> <p>1 provider relations?</p> <p>2 A. I negotiated hospital contracts for</p> <p>3 participation in HMO Blue, and HMO Blue was a new</p> <p>4 product and it was in different payment methodology</p> <p>5 for the hospitals than they were accustomed to with</p> <p>6 the core business products, so I dealt with the</p> <p>7 issues of explaining a change in methodology.</p> <p>8 Q. What was the methodology that was used</p> <p>9 with the other products, and how was the HMO Blue</p> <p>10 methodology different?</p> <p>11 A. I'm not too familiar with the other</p> <p>12 methodology that was used by the company, but HMO</p> <p>13 Blue reimbursed on a per diem basis.</p> <p>14 Q. Is HMO Blue a product that BCBS</p> <p>15 Massachusetts still sells today?</p> <p>16 A. Yes.</p> <p>17 Q. Has HMO Blue remained a product that is</p> <p>18 sold continuously from '91 to the present?</p> <p>19 A. Yes.</p> <p>20 Q. Has the product changed in any way?</p> <p>21 A. I don't know what you mean.</p> <p>22 MR. COCO: Objection.</p>	<p style="text-align: right;">85</p> <p>1 A. It is an independent practice model.</p> <p>2 Q. In the past were there any models that</p> <p>3 were part of HMO Blue other than independent</p> <p>4 practice models and staff model HMO's?</p> <p>5 MR. COCO: Objection.</p> <p>6 A. I don't -- I don't remember.</p> <p>7 Q. Does HMO Blue continue to have product-</p> <p>8 specific contracts with physicians across the state?</p> <p>9 A. Yes.</p> <p>10 Q. Do other -- I'll withdraw that. How many</p> <p>11 products in total does -- health insurance products</p> <p>12 -- does BCBS Massachusetts offer at present?</p> <p>13 A. Several. I don't know the exact number.</p> <p>14 Q. Do you know what proportion of BCBS</p> <p>15 Massachusetts members obtain their coverage through</p> <p>16 HMO Blue versus the other products?</p> <p>17 A. I actually don't remember the enrollment</p> <p>18 number for HMO Blue right now.</p> <p>19 Q. Now you were in your position at HMO Blue</p> <p>20 until about 1992, right?</p> <p>21 A. Right.</p> <p>22 Q. What happened after that?</p>

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23 (Pages 86 to 89)

<p style="text-align: right;">86</p> <p>1 A. The company restructured and reorganized 2 how it would run the business and adopted a product 3 organization structure, so I became the executive 4 director or product manager for HMO Blue. 5 Q. Was that just a change in title, or was it 6 also a change in responsibilities? 7 A. It was a change in responsibilities. 8 Q. How did your responsibilities change? 9 A. I now became responsible -- I had P and L 10 responsibility for HMO Blue as a product, and the 11 product was organized in a product management 12 structure where there was a cross-functional product 13 team that I led that was responsible for setting 14 targets for the product in terms of enrollment and 15 performance targets and determining benefit pricing 16 and, you know, other characteristics of how the 17 product would be sold. 18 Q. Did the regional executive director 19 positions cease to exist after this reorganization? 20 A. They did. 21 Q. Who took over responsibility for provider 22 networks and provider relations for HMO Blue?</p>	<p style="text-align: right;">88</p> <p>1 terms of provider networks and provider relations, 2 did that exclude the -- did you intend that to 3 exclude physicians? 4 A. It did not. Provider relations did not 5 exclude physicians. We didn't negotiate with 6 physicians. 7 Q. What about provider networks? Did that 8 include physicians? 9 A. Yes. 10 MR. COCO: Objection. 11 Q. Do I understand your testimony correctly 12 that provider networks and provider relations both 13 included physicians, but there was no negotiation of 14 individual contract terms? 15 A. That's correct. 16 Q. So contracts were offered on a take-it or 17 leave-it basis? 18 A. Correct. 19 MR. COCO: Objection. 20 A. Correct. 21 Q. In your provider relations capacity did 22 you deal with any push-back or resistance from</p>
<p style="text-align: right;">87</p> <p>1 A. The core company's provider contracting 2 area. 3 Q. Did you have any ongoing responsibilities 4 in your new position as executive director for 5 contracting of provider relations? 6 A. No. 7 Q. During the time period when you were 8 responsible for contracting '91 to '92, were all 9 providers that chose to participate in HMO Blue 10 reimbursed for services or drugs administered in 11 office at the same rate or was there variation? 12 A. I don't know. 13 Q. Was there any individualized negotiation 14 of reimbursement rates? 15 MR. COCO: Objection. 16 A. Relative to what? 17 Q. Well, when you were -- withdraw that. 18 When you were regional director, were you 19 responsible for negotiating contract terms with 20 physicians? 21 A. Not with physicians. 22 Q. When you referred to providers earlier in</p>	<p style="text-align: right;">89</p> <p>1 providers to the terms of the contracts that were 2 being offered? 3 A. Yes. 4 Q. What were the objections that providers 5 raised to the terms of the contracts that were being 6 offered? 7 A. Most of the objections related to 8 requirements under the utilization, management 9 sections of the contract in terms of requirement to 10 get a referral from a primary care physician and the 11 way that would work and other administrative aspects 12 of the contract in terms of the need to provide 13 requested medical records and who would pay for 14 those medical records when they were requested, 15 things like that. 16 Q. Anything else that comes to mind? 17 A. No. 18 Q. Were there any communications from 19 providers regarding the amount of reimbursement that 20 was offered under the contracts relating to HMO 21 Blue? 22 A. When you say, provider, are you referring</p>

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24 (Pages 90 to 93)

<p style="text-align: right;">90</p> <p>1 to physicians?</p> <p>2 Q. Physicians, hospitals, any entity</p> <p>3 encompassed within provider networks and provider</p> <p>4 relations?</p> <p>5 A. The hospital contracts involved in</p> <p>6 negotiation were around price.</p> <p>7 Q. That was in negotiation around the per</p> <p>8 diem rate that would be offered?</p> <p>9 A. That's correct.</p> <p>10 Q. How about physicians?</p> <p>11 A. There was no discussion around -- there</p> <p>12 was no negotiation around the fee schedule.</p> <p>13 Q. My question though is a little bit</p> <p>14 different. Were there any communications that you</p> <p>15 received from providers in your provider relations</p> <p>16 capacity addressing the amount of reimbursement or</p> <p>17 seeking higher reimbursement even though I</p> <p>18 understand there was no actual negotiation?</p> <p>19 A. Yes, we would receive letters.</p> <p>20 Q. Now what were the issues that providers</p> <p>21 raised in relation -- that physicians raised in</p> <p>22 relation to the amount of reimbursement?</p>	<p style="text-align: right;">92</p> <p>1 team grappling with?</p> <p>2 A. How to price the product, different issues</p> <p>3 related to benefit design, the provider network,</p> <p>4 marketing.</p> <p>5 Q. What were the issues discussed in relation</p> <p>6 to the provider network?</p> <p>7 A. Different when there were providers who</p> <p>8 wanted to be included in the network who were not</p> <p>9 included. There would be decisions made around</p> <p>10 whether to include those providers or not.</p> <p>11 Q. In what circumstances would a provider who</p> <p>12 wanted to be included in the network not be included</p> <p>13 in the network?</p> <p>14 A. Some of it depended on whether there was a</p> <p>15 need for additional access in the area that the</p> <p>16 provider practiced. Some of it related to the</p> <p>17 negotiation or hospital around the terms of their</p> <p>18 participation.</p> <p>19 Q. If we focus our attention on physicians,</p> <p>20 was there a discussion in that cross-functional team</p> <p>21 of the physician network for HMO Blue?</p> <p>22 A. Yes.</p>
<p style="text-align: right;">91</p> <p>1 A. Generally related to the fee for</p> <p>2 particular services.</p> <p>3 Q. I take it the complaint was that the fee</p> <p>4 was too low?</p> <p>5 A. Correct.</p> <p>6 Q. Were any reasons provided as to why fees</p> <p>7 were considered to be too low for particular</p> <p>8 services?</p> <p>9 MR. COCO: Objection.</p> <p>10 A. Nothing specific that I can remember.</p> <p>11 Q. Do you recall any communications relating</p> <p>12 not to the amounts relating to fees, but relating to</p> <p>13 the amount to reimburse drugs administered in the</p> <p>14 office?</p> <p>15 A. No, I don't.</p> <p>16 Q. When you became executive director in '92</p> <p>17 you said your responsibilities included running a</p> <p>18 cross-functional team. What did that cross-</p> <p>19 functional team do?</p> <p>20 A. It made policy and strategic decisions</p> <p>21 about how HMO Blue would be operated.</p> <p>22 Q. What sort of strategic issues was that</p>	<p style="text-align: right;">93</p> <p>1 Q. What were the issues discussed around the</p> <p>2 physician network?</p> <p>3 A. It would be the same physicians who wanted</p> <p>4 to participate whether it be the plan needed</p> <p>5 additional physicians. When HMO Blue is initially</p> <p>6 established, it was intended to have a limited</p> <p>7 provider network. Over time the strategy was</p> <p>8 modified to be a more inclusive expansive network.</p> <p>9 Q. Were there always more physicians wanting</p> <p>10 to participate than were acquired?</p> <p>11 A. I wouldn't say always.</p> <p>12 Q. Was the situation we've been discussing</p> <p>13 common, or was it something that came up only</p> <p>14 rarely?</p> <p>15 A. It came up rarely.</p> <p>16 Q. Was there ever a discussion in the cross-</p> <p>17 functional team of the inverse situation? In other</p> <p>18 words, was it ever a problem that there weren't</p> <p>19 enough physicians in the network?</p> <p>20 A. In certain specialties in certain</p> <p>21 geographic areas I recall some discussions around.</p> <p>22 Q. What was done to address those problems?</p>